

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
-----084009 221706Z /41

O R 221651Z SEP 77  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 9099  
INFO ALL OECD CAPITALS  
USMISSION GENEVA

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EXDIS

USEEC ALSO FOR EMBASSY

USMTN

E.O. 11652: GDS  
TAGS: ETRD, MTN, FR  
SUBJ: AMBASSADOR STRAUSS'S TALK WITH FRENCH PRIME  
MINISTER ON TRADE NEGOTIATIONS

1. BEGIN SUMMARY: AMBASSADOR STRAUSS AND PRIME  
MINISTER BARRE, WITH FOREIGN TRADE MINISTER ROSSI  
AND SENIOR ADVISERS PARTICIPATING, HELD A VERY  
CORDIAL AND POSITIVE EXCHANGE OF VIEWS SEPTEMBER 21.  
AMBASSADOR STRAUSS LAID OUT U.S. THINKING IN A  
POLITICAL CONTEXT, EMPHASIZING FRANCO-AMERICAN  
COMMON INTEREST IN MOVING AHEAD WITH MTN. HE  
EXPLAINED IMPORTANCE OF ADHERING TO THE SCHEDULE SO  
THAT ALL PROPOSALS WOULD BE ON THE TABLE BY JANUARY.  
THEREAFTER THE NEGOTIATIONS WOULD BEGIN, WITH A  
POSSIBLE JULY TARGET IN MIND FOR THEIR CONCLUSION.  
ABOVE ALL, HE EMPHASIZED THE URGENCY WE ATTACH TO  
HAVING A TARIFF PLAN IN THE FORM OF A "CONCEPT" OR  
"WORKING HYPOTHESIS" BY OCTOBER 1.

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2. BARRE AND HIS ASSOCIATES STRESSED THAT THERE IS  
A POSITIVE FRENCH ATTITUDE IN GENERAL. THEY EXPRESSED  
CONCERN, HOWEVER, THAT A TARIFF FORMULA NOW WOULD BE  
SEEN BY FRENCH OPINION AS SETTLING A LARGE PART OF  
THE NEGOTIATION AND EMPHASIZING TRADE LIBERALIZATION  
WITHOUT ACCOMPANYING PROGRESS ON SAFEGUARDS AND

RELATED MATTERS. AMBASSADOR STRAUSS MADE CLEAR THAT WE SHARE FRENCH INTEREST IN A BALANCED APPROACH AND WOULD HAVE TO HAVE SUCH AN APPROACH FOR OUR OWN REASONS. BARRE SUGGESTED THAT, RATHER THAN A SPECIFIC FORMULA FOR TARIFF REDUCTIONS AT THE PRESENT STAGE, WE CONSIDER FIXING A "BAND" OR "RANGE" WITHIN SPECIFIED LIMITS. AMBASSADOR STRAUSS AGREED TO CONSIDER THIS SUGGESTION PROVIDED THAT A BAND WOULD BE NARROW ENOUGH TO BE CREDIBLE. BARRE APPEARED MORE POSITIVE OVERALL THAN ROSSI OR OTHER FRENCH OFFICIALS. END SUMMARY.

3. THOSE PRESENT AT WORKING BREAKFAST AT MATIGNON INCLUDED ON THE FRENCH SIDE: PRIME MINISTER BARRE, FOREIGN TRADE MINISTER ROSSI, FOREIGN TRADE MINISTRY DIRECTOR DE MOREL, PAYE, BARRE'S COUNSELOR FOR INTERNATIONAL AFFAIRS, AND SEVERAL WORKING LEVEL OFFICIALS. (INTERESTINGLY, NO ONE FROM THE QUAI D'ORSAY ATTENDED.) U.S. SIDE INCLUDED: AMBASSADORS STRAUSS, MCDONALD AND WOLFF PLUS FEKETEKUTY AND WYNNE OF STR. CHARGE HARLAN AND MINECON MYERSON ATTENDED FOR EMBASSY.

4. IN A VERY CORDIAL ATMOSPHERE, AMBASSADOR STRAUSS EXPRESSED THE PRESIDENT'S APPRECIATION FOR BARRE'S WILLINGNESS TO ADJUST HIS SCHEDULE TO PERMIT

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MEETING ON SHORT NOTICE. STRAUSS REVIEWED IMPROVED SITUATION SURROUNDING THE MTN IN RECENT MONTHS AND underscored the benefits for all concerned of positive action against the background of the present world economic difficulties. BARRE EXPRESSED HIS AGREEMENT WITH THIS VIEW AS HE HAD DONE WITH PRESIDENT CARTER AND SECRETARY VANCE LAST WEEK.

5. AMBASSADOR STRAUSS RECALLED THE MAIN ELEMENTS OF THE SCHEDULE PREVIOUSLY AGREED WITH THE EC COMMISSION SO AS TO PERMIT SUBSTANTIVE NEGOTIATIONS TO BEGIN IN JANUARY. HE INDICATED THAT THE U.S. GOVERNMENT AT HIGHEST LEVELS IS COGNIZANT OF THE FRENCH POLITICAL SITUATION AND CONSIDERS THAT ANYTHING THAT WOULD BE BAD FOR FRANCE WOULD BE BAD

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FM AMEMBASSY PARIS  
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FOR THE U.S. CLEARLY, HOWEVER, IF MOMENTUM IS TO BE PRESERVED AND THE JANUARY 15 TARGET DATE MET, WORK MUST GO FORWARD AT ONCE. IN PARTICULAR AMBASSADOR STRAUSS HOPED ON THE PRESENT TRIP TO GET AGREEMENT WITH THE COMMUNITY ON A CONCEPT OR FORMULA IN THE TARIFF FIELD THAT WOULD PROVIDE FOR GREATER CUTS THAN IN THE KENNEDY ROUND. THIS IS DUE BY OCTOBER FIRST UNDER THE SCHEDULE AGREED TO IN BRUSSELS SOME WEEKS AGO, AND IS THE FIRST MAJOR TEST OF THE CREDIBILITY OF THAT SCHEDULE. AT THE SAME TIME, THE U.S. IS REALISTIC. THERE WOULD HAVE TO BE PROGRESS ON SAFEGUARDS ISSUES AND MEANS OF DEALING WITH SPECIFIC "CRISIS" AREAS.

6. BARRE SAID THERE SHOULD BE NO DOUBT ABOUT THE FRENCH ATTITUDE. THE FRENCH GOVERNMENT IS CONVINCED THAT PROTECTIONIST PRESSURES MUST BE COUNTERED BY DEMONSTRATING A CLEAR WILL TO SUCCEED IN THE MTN. HE HAD ALREADY EXPLAINED THIS TO PRESIDENT CARTER. HOWEVER, SOLUTIONS MUST BE FOUND TO CERTAIN DIFFICULT AND OBVIOUS INTERNATIONAL ECONOMIC PROBLEMS. AND THERE SHOULD BE "REALISTIC TIME CONSTRAINTS" IN THE NEGOTIATIONS.

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7. ROSSI NEXT RECALLED A NUMBER OF WELL-KNOWN FRENCH VIEWS; E.G., THAT NEGOTIATIONS SHOULD BE GLOBAL AND NOT SIMPLY LIMITED TO TARIFFS AND THAT A TIMETABLE,

WHILE USEFUL, SHOULD NOT BE ALLOWED TO "FRAGMENT THE NEGOTIATIONS." ON THE OTHER HAND FRANCE IS "VERY INTERESTED" IN U.S. IDEAS ON AGRICULTURAL NEGOTIATIONS IN SEPARATE GROUPS. ROSSI SAID THAT HE WOULD APPRECIATE FURTHER ELUCIDATION OF OUR THINKING ON CAP RESTITUTIONS AND MARKET STABILIZATION MEASURES. ROSSI EMPHASIZED THE IMPORTANCE OF EXAMINING CLOSELY JAPANESE VIEWS ON THE NEGOTIATIONS AS A WHOLE AND ON SELECTIVE SAFEGUARDS IN PARTICULAR. HE BELIEVED THAT HE AND AMBASSADOR STRAUSS "SPOKE THE SAME LANGUAGE" ABOUT THE IMPORTANCE OF KEEPING IN CLOSE TOUCH AND KEEPING THE NEGOTIATIONS IN A POLITICAL CONTEXT.

8. DE MOREL THEN SPELLED OUT SEVERAL DOUBTS AND CONCERNS ABOUT ESTABLISHING A TARIFF REDUCTION FORMULA BY OCTOBER 1 EVEN AS A WORKING HYPOTHESIS. HE AGREED ON THE IMPORTANCE OF A SCHEDULE AND ON THE NEED TO PUT ISSUES ON THE TABLE. HOWEVER, THERE IS A DIFFERENCE BETWEEN THIS AND ACTUALLY NEGOTIATING. IN DE MOREL'S OPINION, ADOPTING A TARIFF FORMULA NOW WOULD AMOUNT TO SETTLING PERHAPS TWO-THIRDS OF THE NEGOTIATION ON TARIFFS EVEN THOUGH SUBSEQUENT BARGAINING WOULD BE NECESSARY OVER EXCEPTIONS AND RELATED MATTERS. FRENCH PUBLIC OPINION WOULD SEE A TARIFF FORMULA AS A "PREMATURE SUBSTANTIVE RESULT" OF THE NEGOTIATIONS.

9. BARRE SUMMED UP FRENCH VIEWS AT THAT POINT. HE HAD ALREADY MADE CLEAR TO TOP LEVELS IN WASHINGTON (AND CONFIDENTIAL

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WAS AGAIN MAKING CLEAR TO AMBASSADOR STRAUSS) HIS AGREEMENT WITH THE CONCEPT OF A TIMETABLE. REALISTICALLY, HE THOUGHT WE SHOULD AIM TOWARD CONCLUSION OF THE NEGOTIATIONS IN JULY. IN ORDER TO HAVE A HOPE OF ACCOMPLISHING THIS, THE JANUARY 15 TARGET DATE TO HAVE ALL PROPOSALS WAS NONE TOO SOON. SECOND, HOWEVER, FRENCH PUBLIC OPINION WOULD REACT NEGATIVELY IF THERE SEEMED TO BE AGREEMENT ON LIBERALIZATION (A TARIFF FORMULA) WITHOUT SOME COMPARABLE AGREEMENT ON ACCOMPANYING SAFEGUARDS.

10. AMBASSADOR STRAUSS SAID THAT THERE WOULD ALSO BE A VERY SEVERE REACTION IN THE U.S. SHOULD THERE BE SUCH A PERCEPTION. WE WERE AT LEAST AS CONCERNED AS THE FRENCH TO HAVE BALANCED PROGRESS IN THE NEGOTIATIONS. WE ARE IN TRUTH AIMING AT A WORKING HYPOTHESIS. STRAUSS CONSIDERED IT ESSENTIAL THAT WE BE CLEAR ON WHAT THE U.S. CANNOT DO AS WELL AS ON WHAT WE WOULD LIKE TO DO. WE WERE NOT TRYING TO DESTROY THE CAP

OR FUNDAMENTALLY REVISE IT. WE WERE NOT AIMING AT SECTORAL NEGOTIATIONS IN MANY AREAS. WE COULD NOT HAVE EXCESSIVE TARIFF REDUCTIONS, SAY, ON THE ORDER OF 60 PERCENT. NEITHER, HOWEVER, COULD WE ACCEPT THE EC IDEA ON TARIFF REDUCTIONS SINCE THIS WOULD BE TOO LITTLE. WE HAVE TO FIND SOMETHING IN BETWEEN. HE THOUGHT THE SWISS SUGGESTION WAS NOT BAD AS A GENERAL APPROACH. ABOVE ALL, HOWEVER, WE MUST HAVE SOME SUCH APPROACH AGREED BY OCTOBER 1 IN ORDER TO GIVE THE

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INFO OCT-01 ISO-00 SSO-00 /026 W  
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INFO ALL OECD CAPITALS  
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NEGOTIATIONS THE REQUIRED CREDIBILITY.

11. AMBASSADOR WOLFF EMPHASIZED THAT A WORKING HYPOTHESIS ON TARIFFS WOULD REPRESENT ONLY A FIRST STEP. IT SHOULD BE INDICATED PUBLICLY THAT WORK WAS ALSO BEGINNING IMMEDIATELY ON THE OTHER KEY AREAS SUCH AS SAFEGUARDS, AND "CRISIS AREAS" SUCH AS STEEL, AND AGRICULTURE. AMBASSADOR MCDONALD SAID THAT APPLYING THE RESULTS OF MTN IS A CRUCIAL FACTOR WHICH CAN BE VERY HELPFUL IF PROPERLY HANDLED. THE KEY TO THIS WOULD BE STAGED IMPLEMENTATION TO HELP ASSURE THE DISCIPLINES WE ALL NEED WHILE AVOIDING UNNECESSARY DIFFICULTIES FOR PARTICULAR COUNTRIES OR INDUSTRIES.

12. ROSSI RETURNED TO THE CHARGE, RECALLING VIEWS OF SEVERAL YEARS AGO ABOUT A POSSIBLE LINK BETWEEN THE INTERNATIONAL MONETARY SITUATION AND THE MTN.

CLEARLY WE HAD MOVED BEYOND THE IDEA OF ANY EXPLICIT  
LINK BUT WE NEEDED TO KEEP IN MIND A KIND OF "PRUDENCE  
CLAUSE." IN REPLY AMBASSADOR STRAUSS SAID THAT WE  
CAN ALL BE HELPED POLITICALLY BY AIMING AT POSITIVE  
STEPS THAT CAN BE TAKEN PROMPTLY AND AVOIDING EMPHASIS  
ON NEGATIVE FACTORS. CERTAINLY, RESULTS OF MTN  
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BARGAINING COULD BE STAGED OVER A PERIOD OF PERHAPS  
FIVE YEARS IN CERTAIN CASES. THE U.S., LIKE FRANCE,  
MUST DEAL NOT WITH JUST WHAT SOME OF OUR PEOPLE DISLIKE  
UNDER PRESENT CIRCUMSTANCES -- TRADE LIBERALIZATION --  
BUT ALSO WITH WHAT THEY WANT, SAFEGUARDS. UNFORTU-  
NATELY, HOWEVER, NOTHING SIGNIFICANT HAS HAPPENED IN  
THE MTN FOR SEVERAL YEARS. WE WILL NOT BE CREDIBLE  
UNLESS THE OCTOBER 1 DEADLINE CAN BE MET.

13. BARRE CONCLUDED BY STATING THAT SOME MUTUALLY  
AGREEABLE APPROACH SHOULD BE POSSIBLE ON THE TARIFF  
FORMULA. WOULD IT NOT BE BETTER TO SEEK A WORKING  
HYPOTHESIS INVOLVING A "BAND" OR "RANGE" WITHIN  
CERTAIN FIXED LIMITS? THIS WOULD SET THE PARAMETERS  
BUT STILL PROVIDE FOR THE NECESSARY FLEXIBILITY. IT  
SHOULD BE EASIER TO COMPROMISE ON SOME SUCH APPROACH.  
AMBASSADOR STRAUSS REPLIED THAT HE FULLY UNDERSTOOD  
THE PRIME MINISTER'S REASONING. THE BIG QUESTION IS  
WHETHER SUCH A BAND COULD BE SUFFICIENTLY NARROW TO  
BE MEANINGFUL FOR NEGOTIATING PURPOSES. WE WOULD  
EXAMINE THE QUESTION AND REMAIN IN TOUCH.

14. COMMENT: BARRE WAS CLEARLY IN CHARGE THROUGHOUT  
THE SESSION, MAINTAINING A FRIENDLY AND CONSTRUCTIVE  
ATMOSPHERE. IN PARTICULAR, HE INTERVENED WHEN ROSSI  
OR OTHERS SEEMED TO BE RAISING UNNECESSARY ISSUES OR  
CREATING A NEGATIVE IMPRESSION. WHAT CAN BE DONE  
WITH THE SUGGESTION FOR A "BAND" REMAINS TO BE SEEN,  
OF COURSE. WE THINK IT WAS MOST USEFUL TO HAVE BARRE  
SPEAK OUT, WITH ROSSI ON HIS RIGHT AND DE MOREL ON  
HIS LEFT, IN OPTING SOLIDLY FOR FORWARD MOVEMENT  
WITH DEADLINES AS SELF-DISCIPLINE.

HARLAN

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## Message Attributes

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